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SUBJECT: EU DONOR COORDINATION IN THE BALKANS (SERBIA)

REF: BRUSSELS 00034

¶1. SUMMARY: At a recent donor coordination meeting in Brussels, European Commission (EC) representatives hoped for a "smooth" Kosovo settlement while affirming that the relationship between Europe and Serbia is now at a "crossroads". Against this backdrop, the main EC development objective in Serbia is to promote a "European course" for the country. Individual European donors also highlighted a variety of ongoing programs, many related to democracy, governance, economic growth and private sector development.
END SUMMARY

¶2. BACKGROUND: On December 13, the EC hosted an all-day donor coordination meeting in Brussels to seek bilateral input in conjunction with the development of a new EC assistance strategy for the Balkans. Opened by Michael Leigh, Director-General for Enlargement, the event was partly a "show and tell" involving contributions from individual donors. The USAID Representative to the EU attended on behalf of the US; other non-EU members represented included Switzerland and Norway. This is the second of a series of cables summarizing current programs and future plans for various donors now working in the Balkans.

¶3. EUROPEAN COMMISSION (EC): The EC views Serbia as at a "crossroads" as far as its relationship with the European Union is concerned. It hopes for a "smooth" Kosovo settlement that doesn't adversely affect ongoing assistance programs. The major EC aim is to promote a "European course" for Serbia. EC funding levels for Serbia remain high, at around 190 million euros annually. Areas of particular interest include rule of law, democracy and governance, corruption and economic growth.

¶4. SWEDEN: Echoing EC comments, Sweden also stated that its assistance program to Serbia is at a "crossroads". The current country strategy concludes this year but a new one is being prepared. Areas of interest include democracy and governance, human rights, gender, economic growth and the environment. Funding levels are at about 90 million Swedish kroner annually. Programs are managed by five staffers assigned to the Swedish embassy in Belgrade.

¶5. NORWAY: Norway views Serbia as a priority country within the Balkans. Norwegian aid levels for Serbia in 2007 are estimated at 17 million euros, the highest in the region. Sectors covered include agriculture, energy, environment, media, health, education and business development. Some

Norwegian programs are underway in the Sandzak region bordering Kosovo.

¶6. DENMARK: Denmark has provided 20 million euros to Serbia over the last several years, including programs related to business development and minority protection, including for the Roma community.

¶7. ITALY: Italian development programs in Serbia concentrate on economic growth, health, welfare and culture. Specific programs include 25 million euros for banking; 18 million euros for five medium size enterprises; and a 30 million euro credit line for public utilities. Finally, Italy provides 50 million euros through UN Habitat for refugee resettlement.

¶8. SPAIN: Spain currently provides 21 million euros to Serbia in micro credit support and has plans for a 46 million euro soft loan to Serbia in 2008. Also, Serbia is included in regional programs covering such areas as rule of law and judicial reform.

¶9. UNITED KINGDOM (UK): The UK development program in Serbia is relatively modest, reaching some three million pounds this year. Additional funding is provided through a "global conflict prevention" mechanism. The UK expressed strong support for the Development and Aid Coordination Unit (DACU) in Belgrade, affirming the importance of country ownership as well as the central role that counterpart governments need to play in managing the development process. It also wants to strengthen donor coordination, especially within the EU. For the last three years, the UK program strongly focused on good governance, social improvement and

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aid coordination. It supports public sector management reform in coordination with Sweden. It is also working on a poverty reduction paper with the World Bank (the government claims that the rate of poverty in Serbia has been reduced by half to 6.6 percent).

¶10. SWITZERLAND: Switzerland has allocated some 6.9 million euros for Serbia in 2008 and expects a similar level in 2009 and 2010. Areas of particular interest include local governance, minority protection, policy dialogue, private sector development, water infrastructure and education for Roma children.

¶11. COMMENT: Although basically a working level meeting, the discussion to some extent was tinged by continued uncertainty about how events will unfold in Kosovo. If there was a central theme to the Serbia portion of the meeting, it was that the EC as well as individual donors need to work together to promote a "European course" for the country.

MURRAY